

Message Text

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ACTION SS-25

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TO SECSTATE WASHDC IMMEDIATE 6242

C O N F I D E N T I A L SECTION 01 OF 05 BRUSSELS 08135

EXDIS

USEEC

STATE PASS COUNCIL OF ECONOMIC ADVISERS FOR CHARLES
SCHULTZE

E.O. 11652:GDS
TAGS: ECON, OCON
SUBJECT: SUMMIT PREPARATION: ECONOMIC SITUATION

REF: STATE 97519

1. EC COMMISSION HAS ASKED MISSION TO TRANSMIT FOLLOWING
LETTER AND STATEMENT SUBMITTED IN RESPONSE TO CHAIRMAN
SCHULTZE'S LETTER TO DIRECTOR GENERAL UGO MOSCA
(REFTEL):

BEGIN TEXT: DEAR MR. SCHULTZE,

THANK YOU FOR YOUR LETTER OF 17TH APRIL INVITING ME
TO MAKE A SUBMISSION TO YOU BY THE 25TH APRIL FOR THE
SUMMIT PREPARATORY GROUP. SO FAR AS THE COMMUNITY IS
CONCERNED I APPRECIATE THAT YOU HAVE ALSO ADDRESSED THESE
QUESTIONS TO MESSRS. DELAROSIERE (FRANCE), TIETEMEYER
(FEDERAL REPUBLIC OF GERMANY), PALUMBO (ITALY) AND SIR
DOUGLAS WASS (UNITED KINGDOM). IN THESE CIRCUMSTANCES -
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THE SHORTNESS OF TIME AND INVOLVEMENT ALSO OF FOUR
COMMUNITY MEMBER STATES - MY OWN SUBMISSION HERE ATTACHED
IS SHORT AND CONCERNS THE ISSUES AS I SEE THEM TO BE OF
RATHER GENERAL CONCERN TO THE COMMUNITY.

AS REGARDS THE DATES, MONDAY 22ND MAY OVERLAPS WITH
A MEETING OF COMMUNITY FINANCE MINISTERS WHICH I WOULD

HAVE LIKED TO ATTEND. IF THE QUESTION OF DATES IS STILL
OPEN I WOULD PREFER SATURDAY 20TH AND SUNDAY 21ST MAY.
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I LOOK FORWARD TO COOPERATING WITH YOU IN THE PERIOD
AHEAD.

YOURS SINCERELY, UGO MOSCA. END TEXT.

ENCLOSED STATEMENT - BEGIN TEXT:

1. WHAT IS THE ECONOMIC SITUATION LIKELY TO BE IN THE
COMMUNITY AT MIDYEAR AND HOW DO YOU SEE IT DEVELOPING
DURING THE SECOND HALF OF 1978 AND IN THE COURSE OF 1979?
YOU SHOULD PAY PARTICULAR ATTENTION TO THE OUTLOOK OVER
THAT PERIOD FOR DOMESTIC DEMAND GROWTH, INFLATION,
UNEMPLOYMENT, AND THE CURRENT ACCOUNT.

2. WHAT MONETARY, FISCAL, AND INCOMES POLICIES
UNDERLIE YOUR OUTLOOK?

THE EUROPEAN COMMUNITY AS A WHOLE IS EXPECTED IN
1978 TO SHOW A YEAR ON YEAR GROWTH OF GROSS DOMESTIC
PRODUCT OF CLOSE TO 3 PERCENT. THIS TAKES INTO ACCOUNT
THE UNITED KINGDOM BUDGET OF 11 APRIL, BUT ASSUMES NO OTHER
POLICY CHANGES.

LEADING INDICATORS, NOTABLY THE COMMUNITY'S
BUSINESS SURVEYS, WHICH SEVERAL MONTHS AGO SIGNALLED THE
END OF THE WORSENING ECONOMIC ENVIRONMENT, NOW POINT IN
SEVERAL COUNTRIES TO A CONTINUATION OF A MODERATE RECOVERY
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IN ACTIVITY IN THE COMING MONTHS. SOME CAUTION AS TO THE
STRENGTH OF THE RECOVERY IS INDICATED, NEVERTHELESS. THE
IMPROVEMENT IN PRODUCTION EXPECTATIONS IS PRINCIPALLY IN
FRANCE, ITALY AND IRELAND. IN THE FEDERAL REPUBLIC OF
GERMANY, THE OUTLOOK HAS STAGNATED AGAIN AFTER HAVING
RECORDED A RECOVERY IN THE AUTUMN OF 1977. THE COMMUNITY'S
INDEX OF CONSUMER CONFIDENCE HAS ALSO IMPROVED BUT THIS
MOVEMENT IS PRACTICALLY EXCLUSIVELY RELATED TO DEVELOPMENTS
IN THE UNITED KINGDOM AND IRELAND.

AS TO THE LABOUR MARKET, THE UNEMPLOYMENT TREND
HAS TENDED TO STABILISE SINCE LAST SUMMER. AFTER REACHING
A PEAK OF 5.7 PERCENT IN THE THIRD QUARTER OF 1977, THE
SEASONALLY ADJUSTED UNEMPLOYMENT RATE (WHOLLY UNEMPLOYED)
IN THE COMMUNITY, FELL BACK TO 5.5 PERCENT IN THE FIRST
QUARTER OF 1978. AT THE PRESENT RATE OF GROWTH THE
ANNUAL AVERAGE UNEMPLOYMENT RATE FOR THE COMMUNITY AS A
WHOLE COULD TEND TO INCREASE AGAIN IN 1978 TO A LIMITED
EXTENT.
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IF THE CURRENT TREND FOR CONSUMER PRICES IS

MAINTAINED THROUGHOUT THE YEAR, THE INFLATION RATE COULD WELL FALL TO UNDER 7 PERCENT FOR THE COMMUNITY AS A WHOLE IN 1978. HOWEVER, AS WAGE AND SALARY COSTS SHOW SIGNS OF A STRONGER UPWARD TREND IN SOME COUNTRIES AND AS CERTAIN DAMPENING FACTORS ARE LOSING VIGOUR (WEAK RAW MATERIAL PRICES, APPRECIATION OF THE CURRENCIES OF MOST MEMBER STATES, DOWNWARD TREND IN INTEREST RATES), IT IS NOT TO BE EXCLUDED THAT SOME INFLATIONARY PRESSURE MAY

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ARISE AGAIN IN THE SECOND HALF OF 1978.

AS REGARDS 1979, FORECASTS ARE NOT AT PRESENT AVAILABLE. HOWEVER, THE BROAD APPROACH AND POLICY STRATEGY IS REFLECTED IN THE FOLLOWING EXTRACTS FROM THE CONCLUSIONS (OF THE PRESIDENCY) OF THE EUROPEAN COUNCIL'S MEETING IN COPENHAGEN OF 7-8 APRIL 1978:

QUOTE THE EUROPEAN COUNCIL AGREED THAT THE COMMUNITY AND ITS MEMBER COUNTRIES WILL OVER THE COMING THREE MONTHS DEVELOP A COMMON STRATEGY DESIGNED TO REVERSE THE PRESENT UNSATISFACTORY TREND IN THE COMMUNITY'S ECONOMIC AND SOCIAL SITUATION. THE EUROPEAN COUNCIL WAS CONVINCED THAT THIS COURSE OF ACTION WILL CONSTITUTE AN IMPORTANT CONTRIBUTION TO OVERALL INTERNATIONAL ACTION TO PROMOTE WORLD ECONOMIC RECOVERY. IT WILL AT THE SAME TIME FACILITATE PROGRESS TOWARDS ECONOMIC AND MONETARY UNION.

THE COMMON STRATEGY WILL COVER ECONOMIC AND

MONETARY AFFAIRS, EMPLOYMENT, ENERGY, TRADE, INDUSTRIAL
AFFAIRS, AND RELATIONS WITH THE DEVELOPING WORLD . . .

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THE COUNCIL CONSIDERS IT ESSENTIAL THAT THE COMMUNITY
WILL HAVE ACHIEVED AN ANNUAL GROWTH RATE OF 4.5 PERCENT
BY THE MIDDLE OF 1979.

WITH THIS IN MIND THE COMMUNITY WILL IN THE COMING
MONTHS ASSESS THE EFFECTS OF PRESENT NATIONAL ECONOMIC
POLICIES AND ON THIS BASIS DEFINE THE NEED FOR - AND IN
APPROPRIATE CASES - THE MARGIN OF MANOEUVRE OPEN TO
MEMBER STATES FOR CO-ORDINATED ADDITIONAL MEASURES
DESIGNED TO REALISE THE NECESSARY GROWTH WITHIN THE
COMMUNITY. END QUOTE. FOOTNOTE (A).

FOOTNOTE (A): SEE ANNEX 1, FOR THE FULL TEXT OF THE
PRESIDENCY'S CONCLUSIONS OF THE EUROPEAN COUNCIL OF
COPENHAGEN 7-8 APRIL 1978.

3. WHAT ARE YOUR EXPECTATIONS CONCERNING ECONOMIC
DEVELOPMENTS IN OTHER INDUSTRIAL COUNTRIES AND IN DEVELOP-
ING COUNTRIES?

FOR THE UNITED STATES IT IS APPRECIATED THAT
INFLATION IS BECOMING AN INCREASING PREOCCUPATION AND THAT
THE GROWTH RATE MAY BE MODERATING. FOR JAPAN THERE IS
DOUBT WHETHER THE 7 PERCENT GROWTH TARGET FOR THE 1978
FISCAL YEAR WILL BE MET, AND FURTHER EXPANSIONIST MEASURES
COULD BE EXPECTED LATER THIS YEAR.

IN THE NON-COMMUNITY EUROPEAN COUNTRIES THE WEAK
WORLD BUSINESS CLIMATE HAS BEEN IMPOSING INCREASINGLY
RESTRICTIVE STABILISATION POLICIES. THE CURRENT ACCOUNT
DEFICIT OF THESE COUNTRIES REACHED SIXTEEN BILLION DOLLARS
IN 1977 - ALMOST AS MUCH AS IN THE UNITED STATES BUT ON
THE BASIS OF GNP FOUR TIMES SMALLER. THESE COUNTRIES
MIGHT BE ABLE TO ENVISAGE A CERTAIN BUT NO DOUBT MODEST
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CONTRIBUTION TO AN INTERNATIONALLY CONCERTED EXPANSION,
BUT ONLY IF THEY HAD THE CERTAINTY OF A MORE RAPID RATE OF
GROWTH IN THE REST OF THE INDUSTRIALISED WORLD.

AS REGARDS THE REST OF THE WORLD ECONOMY, NO
MARKED OVERALL CHANGE IN TREND IS EXPECTED.

4. WHAT ARE THE SIGNIFICANT ECONOMIC AND POLITICAL CONSTRAINTS THAT YOU SEE WHICH LIE IN THE WAY OF IMPROVING ON THIS OUTLOOK (I.E., ACHIEVING MORE RAPID GROWTH, LOWER INFLATION OR A MORE SUSTAINABLE CURRENT ACCOUNT POSITION)? WHAT ACTIONS BY COMMUNITY COUNTRIES OR BY OTHER COUNTRIES WOULD RELIEVE THESE CONSTRAINTS?

INTERNAL TO THE COMMUNITY AND TO INDIVIDUAL MEMBER STATES:

- IN GERMANY THERE IS CONCERN OVER THE HIGH LEVEL OF THE PUBLIC SECTOR DEFICIT AND DOUBT AS TO THE EFFECTIVENESS OF EXPANSIONARY DEMAND MANAGEMENT POLICY IN INFLUENCING CONSUMPTION AND INVESTMENT BEHAVIOUR, ESPECIALLY IN CIRCUMSTANCES IN WHICH THE RISE OF THE DM DETERS INVESTMENT;

- IN FRANCE, ITALY, AND THE UNITED KINGDOM THERE IS CONCERN - OF VARYING DEGREES - THAT EXPANSIONARY ACTION CAN, THROUGH CAUSING DETERIORATION IN THE CURRENT ACCOUNT SITUATION, LEAD RAPIDLY TO ADVERSE

EFFECTS IN THE EXCHANGE RATE, AND THENCE ON INFLATION AND FINANCIAL AND BUSINESS CONFIDENCE;

- IN THE SMALLER COMMUNITY MEMBER STATES, ECONOMIC OPENNESS IS SUCH THAT INDIVIDUAL DEMAND MANAGEMENT

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ACTION LEAKS TO A HIGH DEGREE ABROAD; MOREOVER IN THESE COUNTRIES THE CONSTRAINTS ARE FOCUSED ON EXCHANGE RATE LINKS WITH THE CURRENCIES OF LARGE EUROPEAN ECONOMIES.

THE FOREGOING CONSTRAINTS REFLECT A COMBINATION OF DOMESTIC CAUSES AND OF PROBLEMS THAT ACCOMPANY INCREASING ECONOMIC OPENNESS AND INTERDEPENDENCE. THE LATTER CALLS FOR A MORE EFFECTIVE ORGANISATION OF ECONOMIC AND MONETARY POLICY MAKING AT THE INTERNATIONAL LEVEL. THIS IS WHY THE COMMUNITY IS SEEKING, IN THE SHORT RUN, TO WORK OUT A COMMON ECONOMIC STRATEGY OVER THE NEXT THREE MONTHS, AND IN SO DOING, TO MAKE RENEWED PROGRESS TOWARDS THE LONG-RUN OBJECTIVE OF ECONOMIC AND MONETARY UNION. BUT THE COMMUNITY ALSO WISHES TO GIVE STRONG, COMPLEMENTARY SUPPORT TO INTERNATIONAL ECONOMIC COOPERATION, AND SEES THE VARIOUS LEVELS OF ACTIVITY (COMMUNITY AND INTERNATIONAL) AS MUTUALLY REINFORCING.

PRINCIPAL EXTERNAL FACTORS THAT ADVERSELY AFFECT THE ECONOMIC OUTLOOK FOR THE COMMUNITY ARE THE MAIN
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BALANCE OF PAYMENTS DISEQUILIBRIA, INCLUDING THE DEFICIT OF THE UNITED STATES AND THE SURPLUS OF JAPAN. THESE DISEQUILIBRIA ARE OF CONCERN TO THE COMMUNITY BECAUSE OF THEIR DESTABILISING EFFECTS ON INTERNATIONAL MONETARY RELATIONS, THEIR TENDENCY TO AGGRAVATE PROTECTIONIST SENTIMENT, AND THEN IN GENERAL TO MAKE ECONOMIC RECOVERY MORE DIFFICULT TO ACHIEVE. THE PRICE OF OIL AND DISPOSAL OF OPEC FINANCIAL SURPLUSES IS OF COURSE A LONGER-STANDING MAJOR CONCERN, BUT ONE WHOSE MANAGEABILITY IS NOW ADVERSELY AFFECTED BY THE UNITED STATES' DEFICIT AND OIL IMPORT TRENDS. TO ALLEVIATE THE FOREGOING CONSTRAINTS ACTION IS NEEDED TO REDUCE THE PROPENSITY OF THE UNITED STATES TO IMPORT OIL, TO HELP STABILISE INTERNATIONAL FINANCIAL MARKETS, TO INCREASE THE PROPENSITY OF JAPAN TO IMPORT AND GENERALLY TO RECTIFY THE JAPANESE INBALANCE.

5. WE HAVE BEEN SPECIFICALLY ASKED BY THE PREPARATORY GROUPE TO ASSESS THE PROSPECTS FOR INVESTMENT IN OUR ECONOMIES AND TO EXPLORE THE WAYS IN WHICH ANY IMPEDIMENTS TO INVESTMENT GROWTH MIGHT BE ALLEVIATED. IN DISCUSSING THE IMPORTANCE OF EXPANDED INVESTMENT YOU SHOULD DISTINGUISH CONSIDERATIONS RELATING TO AGGREGATE DEMAND FROM CONSIDERATIONS RELATING TO CAPACITY EXPANSION, PRODUCTIVITY, AND OTHER SUPPLY-RELATED MATTERS.

INVESTMENT AS A SHARE OF GDP, WHICH ROSE STEADILY
IN ALL COMMUNITY COUNTRIES IN THE 1950'S AND 1960'S HAS
IN THE 1970'S STAGNATED OR FALLEN. MOREOVER, THE
PROPORTION OF NEW INVESTMENT WHICH IS JOB-CREATING HAS
ALSO FALLEN. BOTH TENDENCIES MUST BE REVERSED.

THE MOST RELIABLE WAY OF INCREASING TOTAL INVEST-
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MENT IS TO STIMULATE OUTPUT IN THE SHORT TERM AND
ELIMINATE "GROWTH PESSIMISM" BY REASSERTING THE
COMMUNITY'S FUNDAMENTAL COMMITMENT TO RAPID AND SUSTAINED
GROWTH OVER THE MEDIUM-TERM. A FASTER RATE OF GROWTH
WOULD IN ITSELF GO A LONG WAY TO SOLVING THE PROBLEM, FOR
WHEN ECONOMIC ACTIVITY INCREASES, THE SHARE OF INVESTMENT
IN GDP TENDS ALSO TO INCREASE, EVEN IF THE UPSWING IS LED
BY CONSUMPTION. HOWEVER IT MAY BE NECESSARY TO TAKE
ADDITIONAL MEASURES TO ENCOURAGE PRIORITY INVESTMENT -
NOTABLY IN INDUSTRIAL RECONVERSION, ENERGY SUPPLY AND
DISTRIBUTION AND SUPPORT FOR THE ECONOMICALLY WEAK REGIONS.

IT IS ESSENTIAL THAT ANY ATTEMPT TO STIMULATE OUT-
PUT AND INVESTMENT SHOULD DO SO IN A WAY WHICH INCREASES
THE PROPORTION OF JOB-CREATING INVESTMENT IN THE TOTAL.
THUS EXPANSIONARY MEASURES SHOULD AIM AT MAKING LABOUR
RELATIVELY CHEAPER SO THAT JOB-CREATION BECOMES MORE
PROFITABLE. THIS COULD BE ACHIEVED DIRECTLY BY WAGE
RESTRAINT, OR BY OTHER MEANS AIMED AT REDUCING THE
RELATIVE COST OF LABOUR, EG. ACTING ON THE SOCIAL SECURITY
CONTRIBUTIONS OF EMPLOYERS.

THE PURSUIT OF HIGHER GROWTH WOULD IN THE END
HARM JOB-CREATING INVESTMENT IF IT LED TO HIGHER INFLATION.
IT IS THUS VERY IMPORTANT THAT THE RETURN TO A SUSTAINED
RATE OF GROWTH OF OUTPUT IS ACHIEVED WITHOUT REKINDLING
INFLATION. END TEXT.

ANNEX 1 - BEGIN TEXT:

THE EUROPEAN COUNCIL - COPENHAGEN, 7-8 APRIL 1978

CONCLUSIONS OF THE PRESIDENCY

THE ECONOMIC AND SOCIAL SITUATION

THE EUROPEAN COUNCIL AGREED THAT THE COMMUNITY AND
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ITS MEMBER COUNTRIES WILL OVER THE COMING THREE MONTHS
DEVELOP A COMMON STRATEGY DESIGNED TO REVERSE THE PRESENT
UNSATISFACTORY TREND IN THE COMMUNITY'S ECONOMIC AND
SOCIAL SITUATION. THE EUROPEAN COUNCIL WAS CONVINCED THAT
THIS COURSE OF ACTION WILL CONSTITUTE AN IMPORTANT
CONTRIBUTION TO OVERALL INTERNATIONAL ACTION TO PROMOTE
WORLD ECONOMIC RECOVERY. IT WILL AT THE SAME TIME
FACILITATE PROGRESS TOWARDS ECONOMIC AND MONETARY UNION.

THE COMMON STRATEGY WILL COVER ECONOMIC AND MONETARY
AFFAIRS, EMPLOYMENT, ENERGY, TRADE, INDUSTRIAL AFFAIRS,
AND RELATIONS WITH THE DEVELOPING WORLD.

THE EUROPEAN COUNCIL ASKED THE COUNCIL (GENERAL
AFFAIRS) TO CO-ORDINATE THE EFFORTS OF THE COUNCIL IN ITS
VARIOUS FORMATIONS, AND TO PREPARE THE NECESSARY
CONCLUSIONS OF THE EUROPEAN COUNCIL AT ITS SESSION IN
JULY 1978.

1. THE COUNCIL CONSIDERS IT ESSENTIAL THAT THE
COMMUNITY WILL HAVE ACHIEVED AN ANNUAL GROWTH RATE OF
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4.5 PER CENT BY THE MIDDLE OF 1979.

WITH THIS IN MIND THE COMMUNITY WILL IN THE COMING MONTHS ASSESS THE EFFECTS OF PRESENT NATIONAL ECONOMIC POLICIES AND ON THIS BASIS DEFINE THE NEED FOR - AND IN APPROPRIATE CASES - THE MARGIN OF MANOEUVRE OPEN TO MEMBER STATES FOR CO-ORDINATED ADDITIONAL MEASURES DESIGNED TO REALIZE THE NECESSARY GROWTH WITHIN THE COMMUNITY.

DURING THE SAME PERIOD THE COMMUNITY WILL THROUGH COMMON MEASURES SUPPORT THE ACTION OF MEMBER STATES AND MAKE BETTER USE OF EXISTING COMMON FACILITIES TO ALLEVIATE PRESENT RESTRAINTS ON MEMBER COUNTRIES' POSSIBILITIES FOR ACTION. IN THIS CONNECTION THE COUNCIL REFERRED TO THE SO-CALLED COMMUNITY LOAN FACILITY. IT ALSO INVITED THE GOVERNING BOARD OF THE EIB TO ADOPT AT ITS MEETING IN JUNE A DECISION TO DOUBLE THE CAPITAL OF THE BANK.

2. THE EUROPEAN COUNCIL DISCUSSED THE NEED FOR INCREASED MONETARY STABILITY BOTH WITHIN THE COMMUNITY AND ON A WORLD-WIDE BASIS. IN THIS CONTEXT IT RECOGNIZED THE NEED TO AVOID DISRUPTIVE CAPITAL FLOWS.

3. THE EUROPEAN COUNCIL EXPRESSED ITS DEEP CONCERN OVER THE PERSISTENT HIGH RATE OF UNEMPLOYMENT AND AGREED THAT AN IMPROVEMENT IN THE EMPLOYMENT SITUATION IS A KEY OBJECTIVE OF THE COMMON OVERALL STRATEGY OF THE COMMUNITY. IT STRESSED THE IMPORTANCE OF THE COMMUNITY'S GROWTH OBJECTIVE IN THIS CONTEXT.

THE EUROPEAN COUNCIL AGREED THAT THE NEED FOR
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COMPLEMENTARY SPECIFIC MEASURES TO COMBAT UNEMPLOYMENT, PARTICULARLY WITH RESPECT TO YOUNG PEOPLE, SHOULD BE EXAMINED.

THE EUROPEAN COUNCIL AGREED WITH THE STANDING COMMITTEE ON EMPLOYMENT THAT THE BEST WAY OF DEALING WITH UNEMPLOYMENT IS TO CREATE NEW JOBS THROUGH ACTIVE ECONOMIC, EMPLOYMENT AND INVESTMENT POLICIES, BUT THAT IT SHOULD BE FURTHER EXAMINED WHETHER WORK-SHARING MEASURES COULD HAVE A SUPPLEMENTARY PART TO PLAY IN ALLEVIATING THE PRESENT GRAVE EMPLOYMENT PROBLEMS.

4. THE EUROPEAN COUNCIL WAS CONVINCED THAT SUSTAINED

INTERNATIONAL ECONOMIC STABILITY DEPENDS SIGNIFICANTLY
ON VIGOROUS EFFORTS IN ALL INDUSTRIALIZED COUNTRIES TO
REDUCE DEPENDENCE ON IMPORTED OIL THROUGH ENERGY SAVINGS
AND INCREASED ENERGY PRODUCTION.

THE EUROPEAN COUNCIL AGREED THAT THE HIGH DEMAND
FOR IMPORTED OIL IS A CRITICAL PROBLEM FOR THE COMMUNITY.
MORE COMPREHENSIVE AND VIGOROUS EFFORTS AT NATIONAL AND
COMMUNITY LEVEL TO REDUCE DEMAND AND INCREASE SUPPLY OF
ENERGY WITHIN THE COMMUNITY ARE URGENTLY NEEDED. IT
RECOGNIZED THAT THIS PRESUPPOSES LARGE SCALE INVESTMENTS.
SUCH EFFORTS WILL BE GIVEN HIGH PRIORITY, BECAUSE THEY
WILL AT THE SAME TIME PROMOTE ECONOMIC ACTIVITY, CREATE
NEW JOBS AND IMPROVE THE BALANCE OF PAYMENTS.

5. THE EUROPEAN COUNCIL AGREED THAT SUSTAINED GROWTH
IN WORLD TRADE IS ESSENTIAL FOR THE PROMOTION OF WORLD
ECONOMIC RECOVERY. THEREFORE PROTECTIONIST TENDENCIES MUST
BE RESISTED. A RAPID AND SUCCESSFUL CONCLUSION OF THE
MULTILATERAL TRADE NEGOTIATIONS WILL INCREASE CONFIDENCE
IN THE WORLD TRADE SYSTEM.

THE EUROPEAN COUNCIL AGREED THAT FURTHER PROGRESS
SHOULD BE MADE TO ELIMINATE OBSTACLES TO THE FREE MOVEMENT
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OF GOODS WITHIN THE COMMUNITY.

6. THE EUROPEAN COUNCIL EMPHASIZED THE NEED TO RESTORE THE COMPETITIVENESS OF INDUSTRIES IN DISTRESS. THIS REMAINS THE BASIC AIM OF NATIONAL AND COMMUNITY POLICIES IN THIS FIELD.

"IN THIS CONNECTION IT UNDERLINED THE NECESSITY TO SET UP TRIPARTITE FRAMEWORKS ON AN EUROPEAN LEVEL TO OVERCOME THE SERIOUS PROBLEMS OF STRUCTURAL OVER-CAPACITY IN SEVERAL INDUSTRIES AND TO PROMOTE AN INDUSTRIAL STRUCTURE THAT CAN MAINTAIN ITSELF IN WORLD-WIDE COMPETITION."

7. THE EUROPEAN COUNCIL POINTED OUT THAT THE PURSUIT OF GREATER INTERNAL COHESION IMPLYING ALSO A REDUCTION IN REGIONAL IMBALANCES, CONSTITUTES ONE OF THE KEY OBJECTIVES OF THE COMMUNITY ENTERPRISE.

8. THE EUROPEAN COUNCIL RECALL THE RESOLUTIONS OF THE COUNCIL OF MINISTERS OF NOVEMBER 1975 AND JULY 1976 RECOGNIZING THE NEED FOR A RE-EXAMINATION OF THE
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AGRICULTURAL PROBLEMS AFFECTING THE MEDITERRANEAN REGIONS OF THE COMMUNITY. IN THIS SPIRIT THE EUROPEAN COUNCIL WAS OF THE OPINION THAT THE COUNCIL (AGRICULTURE) SHOULD ENDEAVOUR TO REACH A DECISION BY THE END OF APRIL TAKING INTO ACCOUNT THE PROPOSALS FROM THE COMMISSION.

9. THE EUROPEAN COUNCIL NOTED THAT AN OVERALL INCREASE IN THE FLOW OF AID TO THE DEVELOPING COUNTRIES WILL FACILITATE THEIR POSSIBILITIES OF PLAYING A GREATER PART IN A GENERAL RECOVERY OF THE WORLD ECONOMY.

THE EUROPEAN COUNCIL REAFFIRMED THE WILL OF THE COMMUNITY TO CONTRIBUTE CONSTRUCTIVELY TO PROGRESS IN THE NORTH/SOUTH DIALOGUE IN ORDER TO PROMOTE A MORE JUST AND EQUITABLE WORLD ECONOMIC ORDER.

10. THE EUROPEAN COUNCIL ASKED THE COUNCIL IN ITS VARIOUS FORMATIONS TO TAKE THE NECESSARY STEPS OVER THE COMING THREE MONTHS TOWARDS THE ACHIEVEMENT OF THE OBJECTIVES MENTIONED ABOVE. END TEXT. HINTON

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Secure: OPEN
Status: NATIVE
Subject: SUMMIT PREPARATION: ECONOMIC SITUATION
TAGS: ECON, OCON
To: STATE
Type: TE
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